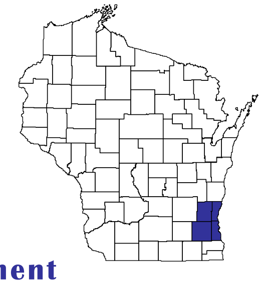
WORKFORCE OBSERVATIONS

for the Milwaukee/WOW counties

Milwaukee County and Washington, Ozaukee and Waukesha Counties



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Third Quarter 2005

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New Population Estimates Paint Mixed Image for Region

Within the past several weeks, analysts and researchers throughout the state have closely reviewed the final 2005 population estimated released by the Wisconsin Department of Administration's Demographic Services Center. Of particular interest is a continuing trend of steady suburban growth in each of the state's 11 metropolitan statistical areas.

As the state's first and largest metropolitan area, the Milwaukee-Waukesha-West Allis MSA, which includes Milwaukee, Ozaukee, Washington, and Ozaukee Counties both dictated and followed this trend over the course of the past several decades. In the five years following the 2000 Census, the four counties of the Milwaukee-WOW Workforce Development Areas have added over 27,000 residents, resulting in a net growth rate of 1.8 percent.

WDA	County	Census 2000 Population	July 1, 2005 Population Estimate	# Change	% Change
Milwaukee	Milwaukee	940,164	938,995	-1,169	-0.1%
WOW	Ozaukee	82,317	85,787	3,470	4.2%
WOW	Washington	117,496	125,940	8,444	7.2%
WOW	Waukesha	360,767	377,348	16,581	4.6%
	Total	**1,500,744**	**1,528,070**	**27,326**	**1.8%**
	Wisconsin	5,363,715	5,580,757	217,042	4.0%

While this rate lies far below the state average of four percent, this figure should be interpreted rather carefully. Because of its relative size, the population of Milwaukee County, and any changes within it have a tendency to dominate the regional conversation. As the table above illustrates, the past five years have proven to be no exception.

Milwaukee County's population showed a slight decline since 2000, shedding just over 1,000 residents. While some of this decrease can be attributed to a continuing trend towards suburban development away from the City of Milwaukee, much more is simply a function of growing disparities between the birth and death rate in the county.

However, there are numerous communities within Milwaukee County that have exhibited significant growth over the past several years, particularly the City of Franklin, which has seen its population grow by just under 11 percent since 2000, topping 32,000 for the first time in its history. Similarly, the City of Greenfield experienced more modest growth, adding 660 residents over the same period, or 1.9 percent of its population.

In comparison, however, the largest communities in Milwaukee have all experienced population losses of varying magnitude in the first half of this decade. Numerically, the City of Milwaukee led all population losers, shedding slightly more than 4,000 residents. However, its 0.7 percent population loss is less than that seen in either Wauwatosa or West Allis, which experienced declines of 2.0 and 1.2 percent, respectively.

Local/State/National Quarterly Unemployment Rates

	Third Quarter 2005			
	Labor Force	# of Employed	# of Unemployed	Unemploy. Rate
Milwaukee County	467,200	440,200	27,000	5.8%
Ozaukee County	48,000	46,200	1,800	3.7%
Washington County	71,000	68,300	2,700	3.8%
Waukesha County	213,400	205,600	7,800	3.7%
Mil/Wauk/W Allis MSA	799,600	760,300	39,300	4.9%
Brookfield City	20,200	19,600	700	3.2%
Franklin City	18,000	17,300	600	3.6%
Greenfield City	20,500	19,700	800	4.0%
Menomonee Falls Village	18,900	18,200	700	3.6%
Milwaukee City	275,000	255,300	19,800	7.2%
New Berlin City	22,400	21,600	800	3.5%
Oak Creek City	19,500	18,700	800	3.9%
Waukesha City	39,300	37,500	1,900	4.7%
Wauwatosa City	25,300	24,400	900	3.6%
West Allis City	33,300	31,700	1,500	4.6%
West Bend City	16,200	15,400	900	5.4%
Wisconsin	3,070,100	2,934,700	135,400	4.4%
United States	150,795,500	143,212,500	7,583,000	5.0%
	Change Compared to Previous Quarter			
Milwaukee County	1,500	2,000	-500	-0.1%
Ozaukee County	210	210	10	0.0%
Washington County	20	300	-280	-0.4%
Waukesha County	460	910	-450	-0.2%
Mil/Wauk/W Allis MSA	2,200	3,400	-1,200	-0.2%
Brookfield City	30	90	-60	-0.3%
Franklin City	0	80	-80	-0.4%
Greenfield City	10	90	-80	-0.4%
Menomonee Falls Village	30	80	-50	-0.3%
Milwaukee City	1,060	1,130	-80	-0.1%
New Berlin City	40	100	-60	-0.3%
Oak Creek City	80	80	-10	0.0%
Waukesha City	120	170	-40	-0.1%
Wauwatosa City	30	110	-80	-0.3%
West Allis City	-20	140	-160	-0.5%
West Bend City	-20	70	-90	-0.5%
Wisconsin	17,700	25,810	-8,080	-0.3%
United States	1,635,800	1,550,500	85,670	0.0%
	Change Compared to Same Quarter, Previous Year			
Milwaukee County	-3,000	-1,100	-1,900	-0.4%
Ozaukee County	50	-120	170	0.3%
Washington County	-300	-180	-120	-0.2%
Waukesha County	-1,020	-530	-490	-0.2%
Mil/Wauk/W Allis MSA	-4,300	-2,000	-2,300	-0.3%
Brookfield City	-130	-50	-80	-0.4%
Franklin City	-100	-40	-50	-0.3%
Greenfield City	-110	-50	-60	-0.3%
Menomonee Falls Village	-30	-50	10	0.1%
Milwaukee City	-1,850	-660	-1,190	-0.4%
New Berlin City	-130	-60	-70	-0.3%
Oak Creek City	-80	-50	-30	-0.1%
Waukesha City	-300	-100	-200	-0.5%
Wauwatosa City	-140	-60	-80	-0.3%
West Allis City	-260	-80	-180	-0.5%
West Bend City	-40	-40	0	0.0%
Wisconsin	-19,400	-16,220	-3,190	-0.1%
United States	2,605,800	3,023,500	-418,000	-0.4%

Source: DWD Office of Economic Advisors analysis of data supplied by DWD Bureau of Workforce Information

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Expanding our analysis to now look at the three counties comprising the Waukesha-Ozaukee-Washington Workforce Development Area, we see that the majority of growth throughout the metropolitan area was concentrated in these counties. The three counties have added a total of approximately 28.500 residents since 2000, with a majority of these residents coming from outside the metropolitan area. On a county-by-county basis, Waukesha County added the most residents (16,581), while Washington County increased at the fastest rate (7.2 percent). This suggests that, while Waukesha County continues to serve as the population and employment center among the three-county region, residential growth continues to surge into Washington County.

In moving away from this discussion of recent population estimates to a topic more salient to one's understanding of the region's workforce, we see that the metropolitan area labor force stood at 799,6000 in the third quarter 2005. This figure is roughly 2,000 individuals higher than the previous quarter, not taking into account seasonal fluctuations in hiring patterns. Conversely, the region's labor force is 4,300 individuals lower than that observed just one year earlier. This suggests that the region hasn't fully recovered from the recent economic downturn.

Following the general trend discussed with respect to the region's population, we again see that Milwaukee County dominates movement in the region's workforce. During the most recent quarter, the county's labor force increased by 1,500 individuals, most of whom were located in the City of Milwaukee. Similarly, of the 3,400 new employees identified in the past quarter, 2,000 held positions within Milwaukee County — 1,100 of those again within the city.

In comparison to the relatively concentrated workforce movement present within Milwaukee County, we see that labor force and employment growth in the WOW counties during the past quarter was much more disperse. Much of the region's employment growth was concentrated in Waukesha County. However, the City of Waukesha only accounts for 18.7 percent of total county growth, while the City of Milwaukee accounted for 56.5 percent of that county's employment growth. Ozaukee and Washington Counties experienced lesser employment gains, and the region, as a whole, still lags behind 2004.

Local/State/National Quarterly Industry Employment

	Avg. # of Nonfarm Jobs by Industry Sector			Industry Sector as a % of Total Nonfarm Employment		
	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA
	Q3-2005	Q3-2005	Q3-2005	Q3-2005	Q3-2005	Q3-2005
All Industries	133,774,000	2,848,900	843,200	100.0%	100.0%	100.0%
Construction/Natural Resources	8,109,000	149,400	39,000	6.1%	5.2%	4.6%
Manufacturing	14,291,700	508,100	135,800	10.7%	17.8%	16.1%
Retail Trade	15,219,300	315,200	81,800	11.4%	11.1%	9.7%
Wholesale Trade	5,753,300	118,600	40,000	4.3%	4.2%	4.7%
Transport/Warehouse/Utilities	4,921,000	108,000	29,000	3.7%	3.8%	3.4%
Financial Activities	8,286,700	159,300	56,400	6.2%	5.6%	6.7%
Education and Health Services	17,177,700	380,800	133,600	12.8%	13.4%	15.8%
Leisure and Hospitality	13,198,300	273,700	69,300	9.9%	9.6%	8.2%
Info./Prof./Bus.and Other Services	25,771,000	448,200	173,200	19.3%	15.7%	20.5%
Information	3,160,700	50,000	18,100	2.4%	1.8%	2.1%
Professional and Business Services	17,101,300	262,300	113,900	12.8%	9.2%	13.5%
Other Services	5,509,000	135,900	41,100	4.1%	4.8%	4.9%
Fed/State/Local Government	21,046,000	389,500	85,400	15.7%	13.7%	10.1%
	Change in Avg. # of Jobs Compared to Previous Quarter			% Change in Avg. # of Jobs Compared to Previous Quarter		
All Industries	-295,000	8,500	-2,300	-0.2%	0.3%	-0.3%
Construction/Natural Resources	203,000	10,900	2,700	2.6%	7.9%	7.4%
Manufacturing	-13,300	5,800	300	-0.1%	1.1%	0.2%
Retail Trade	123,800	2,100	700	0.8%	0.7%	0.9%
Wholesale Trade	22,300	1,600	-100	0.4%	1.4%	-0.2%
Transport/Warehouse/Utilities	-21,100	-800	-1,600	-0.4%	-0.8%	-5.1%
Financial Activities	78,300	1,000	0	1.0%	0.7%	0.1%
Education and Health Services	-143,700	-1,500	-500	-0.8%	-0.4%	-0.4%
Leisure and Hospitality	219,000	13,700	1,300	1.7%	5.3%	2.0%
Info./Prof./Bus.and Other Services	193,300	8,300	2,500	0.8%	1.9%	1.4%
Information	8,000	-800	-200	0.3%	-1.6%	-0.9%
Professional and Business Services	177,000	9,100	2,800	1.0%	3.6%	2.6%
Other Services	8,300	0	-200	0.2%	0.0%	-0.5%
Fed/State/Local Government	-956,700	-30,700	-7,500	-4.3%	-7.3%	-8.1%
	Change in Avg. # of Jobs Compared to Same Quarter in 2004			% Change in Avg. # of Jobs Compared to Same Quarter in 2004		
All Industries	2,131,700	18,800	7,300	1.6%	0.7%	0.9%
Construction/Natural Resources	233,300	7,800	3,200	3.0%	5.5%	9.0%
Manufacturing	-121,300	-1,000	1,400	-0.8%	-0.2%	1.0%
Retail Trade	221,400	-3,400	-800	1.5%	-1.1%	-0.9%
Wholesale Trade	69,400	2,800	1,000	1.2%	2.4%	2.6%
Transport/Warehouse/Utilities	87,900	400	-800	1.8%	0.3%	-2.6%
Financial Activities	178,700	1,100	-1,200	2.2%	0.7%	-2.0%
Education and Health Services	442,700	4,900	2,100	2.6%	1.3%	1.6%
Leisure and Hospitality	237,000	4,100	800	1.8%	1.5%	1.2%
Info./Prof./Bus.and Other Services	527,700	5,000	2,400	2.1%	1.1%	1.4%
Information	17,300	100	-200	0.6%	0.3%	-0.9%
Professional and Business Services	468,000	5,400	3,200	2.8%	2.1%	2.9%
Other Services	42,300	-500	-600	0.8%	-0.4%	-1.4%
Fed/State/Local Government	255,000	-1,100	-800	1.2%	-0.3%	-0.9%

Source: DWD Office of Economic Advisors analysis of Current Employment Statistics (CES) data supplied by DWD Bureau of Workforce Information and the U.S. DOL Bureau of Labor Statistics. These not seasonally adjusted, preliminary figures are rounded and may not sum to the all industries total.

Regional Economy Stumbles, but Maintains Momentum in Third Quarter

During the course of the past quarter, the Milwaukee-Waukesha-West Allis MSA regional economy delivered a mixed message to the region's labor force and analysts. Beginning with an analysis of the region's labor market, we see t hat the quarterly employment rate stands at 4.9 percent. While this figure is 0.2 percent below that reported in the second quarter, the rate remains about the state unemployment rate of 4.4 percent. Conversely, the region's employment outlook does remain slightly brighter than that for the United States, as the nation continues to grapple with significant job losses in the gulf coast region as a result of Hurricane Katrina.

Looking at more local estimates, we see that the region was once again paced by Ozaukee and Waukesha County, both of which posted an unemployment rate of 3.7 percent for the quarter, with Washington County lagging not far behind at 3.8 percent. However, the unemployment situation in Milwaukee County remains uncertain, as the county and City of Milwaukee continue to experience relatively high levels of unemployment, as indicated by quarterly unemployment rates of 5.8 and 7.2 percent, respectively.

While total employment throughout the metropolitan area once again topped 843,000, an improvement of over 7,000 positions over the same period in 2004, this figure represented a drop of over 2,000 positions from the previous quarter. This drop in the region's employed labor force comes at the same time that the state experienced an increase of 8,500 positions.

The disparity between statewide and regional job growth over the past quarter was once again symbolic of a continuing trend throughout the state, as a number of other regional corridors continue to outperform the Milwaukee-Waukesha-West Allis MSA. However, the region does seem to be demonstrating similar behavior to that observed nationally, as the nation's economy shed 295,000 positions over the course of the quarter, owing, in large part to the initial impact of Hurricane Katrina and Rita on the Gulf Coast states.

Looking at sectoral employment patterns during the third quarter, we see that a number of industries did add significant numbers of workers throughout the region. Most significantly, we see that the construction and natural resources sector reported the addition of 2,700 workers, a development that occurs towards the end of the traditional building season. This trend serves as a strong indicator that ongoing demand for commercial and residential construction, as well as the continuing work tied to a number of major infrastructure projects will both stabilize and foster additional growth in the sector throughout the next two quarters, when we would expect to see activity lessen.

Similarly, the leisure and hospitality industry also reported significant additions to already high employment levels, adding a total of 1,300 new positions over the quarter. While much of this employment growth will likely be tied to seasonal effects from the recent summer tourist season, it is anticipated that some share of this new growth will be retained as the region continues to see increased activity particularly in convention traffic. Given continued growth in the region's restaurant business, we would expect this trend to continue in the near term.

One final area where the region did report significant growth is in the professional and business services sector, which witnessed an increase of nearly 3,000 positions over the previous quarter, and a total of 3,200 positions from this time last year. This again reflects a larger state and national trend in the sector, as the United States saw the sector increase by 177,000 positions in the third quarter, and Wisconsin added 9,100 positions. Locally, much of this growth is spurred, in part, by a resurgence in the commercial and office markets of downtown Milwaukee. Additionally, ongoing activity in commercial developments along the I-94 corridor, marked by continuing work on the G.E. Information Systems headquarters in the Milwaukee County Research Park and an aggressive pattern of acquisitions by firms such as Metavante have driven demand in this sector.

Turning our attention to quarterly changes in other key sectors, we see that a number of other sectors exhibited marginal, yet significant increases. The manufacturing sector continued to show signs of recovery by adding 300 positions for a net of 135,800 positions throughout the region. This marks an increase of 1,400 positions over the third quarter of 2004. This observation is significant as it runs contrary to trends noted both statewide and nationally where manufacturing employment remains well below levels reported even a year earlier. Much of this disparity can again be attributed to the relative strength of the region's manufacturing sector. Additionally, the realization that the region experienced manufacturing employment losses tied to the most recent economic downturn much earlier than what was generally witnessed nationally. As such, one can also surmise that recovery would occur along a similar path, and that growth would be more significant, given that the manufacturing sector continues to account for a higher percentage of total employment within the region than nationally.

One final note related to industry employment in the third quarter pertains to the significant losses that continue to be observed in the transportation, warehouse, and utilities sector. In the third quarter, sector employment stands at 29,000 in the Milwaukee-Waukesha-West Allis MSA. This is approximately 1,600 positions below the level reported in the second quarter, and 800 positions below last year. This again follows a national pattern of losses throughout the industry, culminating in a national decrease 21,100 positions. Losses in the sector are strongly tied to a weakening domestic automotive sector, as demonstrated locally by recent announcements by Tower Automotive, which ceased local operations during the quarter, and Delphi Automotive, which filed for Chapter 7 bankruptcy protection at the beginning of the month. While the impact of the Delphi announcement remains to be seen, given their large presence in the region, it seems almost inevitable that the region will see additional job losses throughout the next two quarters.

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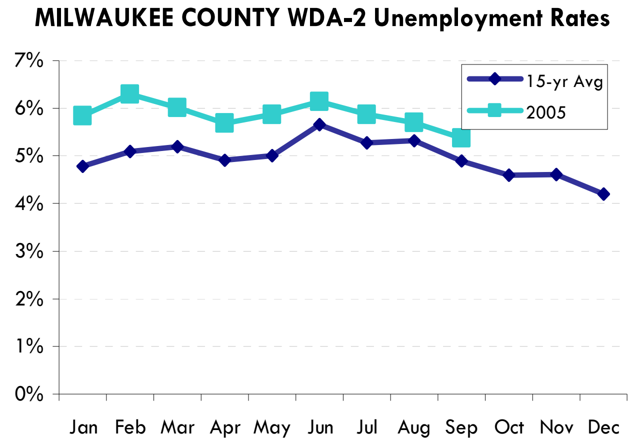
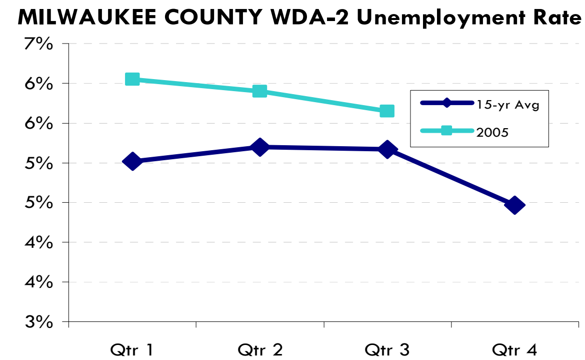
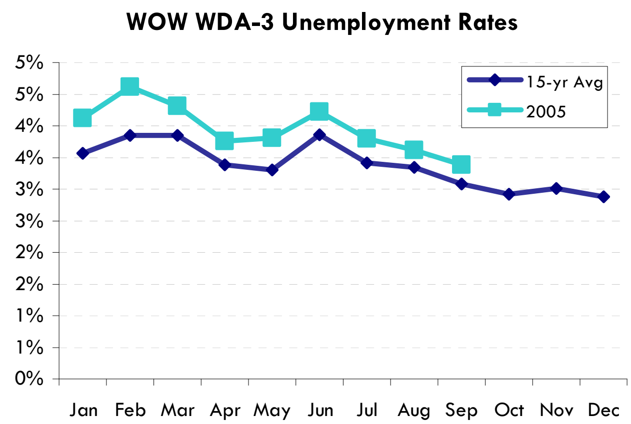
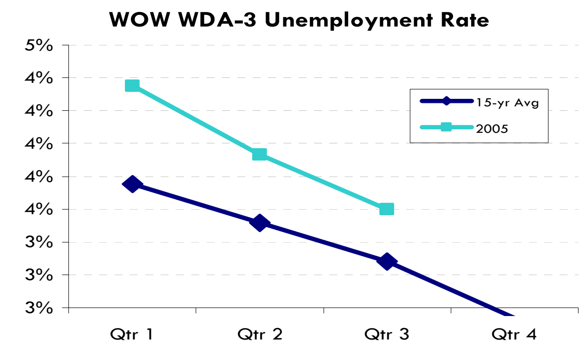
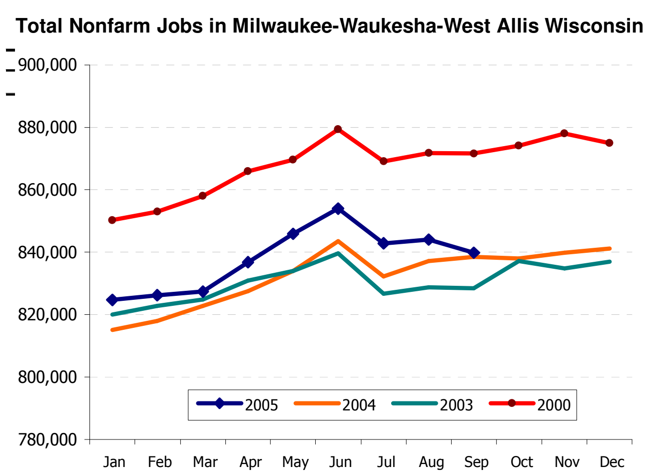
Third Quarter Economic Indicators











	Change over previous quarter				over yr
Consumer Price Index - All items	**Qtr 1 2005**	**Qtr 2 2005**	**Qtr 3 2005***	**Qtr 4 2005**	**Qtr 3 2004**
United States	0.6%	1.3%	1.2%		3.8%
Midwest cities (50,000-1.5 million pop.)	0.5%	1.2%	1.6%		4.2%
Midwest cities (less than 50,000 pop.)	1.0%	1.5%	1.7%		4.7%
Employment Cost Index					
Civilian total compensation	1.1%	0.6%	0.9%		3.1%
Private industry total compensation	1.1%	0.7%	0.6%		3.0%
Local & state govt. total compensation	0.9%	0.3%	1.8%		3.7%
Civilian wages	0.7%	0.5%	0.8%		2.3%
Private wages	0.7%	0.6%	0.7%		2.2%
Local & state government wages	0.6%	0.2%	1.3%		2.7%
Civilian benefits	2.2%	0.7%	1.1%		5.1%
Private industry benefits	2.3%	0.8%	0.7%		4.8%
Local & state government benefits	1.4%	0.5%	3.0%		6.1%

Source: US Bureau of Labor Statistics   * current quarter

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